



TO: William A. Gaines, Director of Utilities/CEO
FROM: Ted Coates, Power Superintendent/COO
COPY: T.C. Broadnax, and City Council and City Clerk
SUBJECT: Ordinance to amend TMC Chapter 12.13 Click! Network Cable TV Rates – May 13, 2014
DATE: March 26, 2014

SUMMARY:

An ordinance amending Chapter 12.13 of the Tacoma Municipal Code to revise prices and packages for Click! Network cable television services. Click! Network’s Cable TV rates should be increased to recover per subscriber programming cost increases experienced in 2014. Programming costs have increased by an average of 11% in 2014 and it is recommended that the cable television rates be increased by an average of 10%. This item is brought forth at this time to allow sufficient time to notify customers prior to the planned implementation date of July 1, 2014. Click! Network respectfully requests the Council pass the ordinance.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position.
 - Click! Network’s costs to acquire programming increase each year according to pre-determined schedules contained in multiple programming carriage agreements. Click! must increase the rates it charges cable television subscribers accordingly in order to maintain a sound financial position.
- Foster neighborhood, community, and economic development vitality and sustainability.
 - The presence of Click! Cable TV in the Tacoma market provides the community with choice in cable television providers. That competitive choice has tended to constrain the cable television rates in Tacoma to be below the outside Tacoma market, providing value to the residents.

BACKGROUND:

Click! Network anticipated that programming and other expenses would increase and that subscriber cable television rates would be increased during the 2013/14 biennium and incorporated the anticipated revenue to be generated into its budget. The City Council passed the Resolution for Ordinance 28098 Exhibit A Nov. 13, 2012, and Ordinance 28153 Exhibit A June 11, 2013, to implement increased cable television rates that became effective January 1 and August 1, 2013. The budget process also anticipated the need to increase rates in 2014 and that projected revenue is also included in the revenue budget. Click! subscribers will be notified by mail 30 days in advance of the increase effective date. Franchise authorities governing Click! service areas will also be notified 30 days in advance.

A Request for Resolution was presented to the Public Utility Board on April 16, 2014 and the Resolution was approved. The proposed Ordinance was presented to the GPFC on May 7th and the committee issued a recommendation to the City Council.

ISSUE:

Click! Network respectfully requests amendments to Chapter 12.13.010 – 12.13.015 TMC to effect changes to cable television charges for Broadcast and Standard levels of service within the City of Tacoma and in its service territory outside the City of Tacoma. Other changes being requested include eliminating the legacy Basic service level from the ordinance and references thereto, and the addition of a nonpayment reactivation fee. The change in rates is necessary to recover increased expenses; the



elimination of the Basic service level is needed as the service level has not been sold since 2008 and has fewer than 200 remaining customers, and is no longer an allowable service level according to current programming carriage agreements.

ALTERNATIVES:

Two alternatives to the present proposal exist. One alternative would be to leave the rates as they are. A second alternative would be to increase the cable television rates to the level outside the Tacoma market, which would fully recover Click!'s costs.

If Click! were to forego the increase in 2014, it would fall \$1.3 Million short of its cable television revenue budget rather than the projected shortfall after increase of \$596,513, which would require a greater financial contribution from its parent, Tacoma Power.

If Click! were to increase its rates to the level of cable television rates outside of Tacoma, it would fully recover its costs and decrease or eliminate the need for Tacoma Power to make a financial contribution; however, the market discipline approach that has been employed since Click!'s inception would be abandoned and customer value would decline.

RECOMMENDATION:

It is recommended that the City Council pass the Request for Ordinance as submitted to effect an average 10% increase in Click! Network cable television subscriber rates, to be effective July 1, 2014. The rates as proposed will generate \$722,000 in revenue that was included in the 2013/2014 budget as approved, and will recover anticipated and unanticipated increases in programming expense. The rates as proposed will continue to be competitive in the Tacoma market, lower than the cable television rates in other markets, and provide value to the citizens. That outcome is preferable to Click! Network being unable to fully recover its increased costs.



FISCAL IMPACT:

EXPENDITURES:

| FUND NUMBER & FUND NAME * | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|---------------------------|----------------------------|--------------|--------------|
| | | | |
| | | | |
| | | | |
| TOTAL | | | |

* General Fund: Include Department

REVENUES:

| FUNDING SOURCE | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|-------------------|----------------------------|--------------|------------------|
| Customer Revenues | Ord 90005121-5135 | 4343800 | \$631,506 |
| Customer Revenues | Ord 90005138 | 4343810 | \$ 90,840 |
| | | | |
| TOTAL | | | \$722,346 |

POTENTIAL POSITION IMPACT:

| POSITION TITLE | PERMANENT/ PROJECT TEMPORARY POSITION | FTE IMPACT | POSITION END DATE |
|----------------|--|------------|-------------------|
| | | | |
| | | | |
| | | | |
| TOTAL | | | |

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$722,346 revenue

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.